

Department of Local Affairs

Introduction

The Department of Local Affairs is responsible for strengthening local government by encouraging local initiative and coordinating information and assistance to local governments. To accomplish its mission, the Department is involved in a variety of community development activities involving training, technical and financial assistance, and advocacy. The Department has eight divisions to carry out these services:

- Executive Director's Office
- Community Partnership Office
- Local Government
- Housing
- Field Services
- Property Taxation
- Economic Development
- Board of Assessment Appeals

The Community Partnership Office

The Community Partnership Office administers a state-funded grant program which provides funding for community-based youth crime prevention and intervention programs. The Youth Crime Prevention and Intervention (YCPI) Program was created in 1995 and received general funding of \$8 million in Fiscal Year 1998. The following comments and recommendation are from the Fiscal Year 1998 Youth Crime Prevention and Intervention Program performance audit.

The following comment and recommendation is from our August 1997 performance audit of the Youth Crime Prevention and Intervention Program at the Department of Local Affairs.

The YCPI Program Has No State Funding Available for Administrative Costs

Running the YCPI Program involves considerable effort on the part of the Department. Key activities conducted by Department staff include developing processes to allocate funding to nearly 200 grantees each year and then monitoring

the effectiveness of each program that receives funding. Since its creation in 1995, the Department has never received any state funding to administer the YCPI Program. All funds appropriated to the YCPI Program are intended to be allocated to communities in the form of grants or, more recently, set aside specifically for evaluation activities. As a result, Department staff charge the administrative expenses associated with YCPI (mostly personnel services) to federal programs they administer. These programs include the Americorps Community Service Program, the Safe and Drug-Free Schools and Communities Program, and the Community Service Block Grant Program.

On average about 18 individuals within the Department have worked at least part-time on the YCPI Program each year. Currently about 11 individuals spend some time working on YCPI-related functions. Given current staffing patterns, we estimate that it would cost at least \$266,000 each year (about 5.5 FTE, salary and benefits) to administer the YCPI Program. These costs are now absorbed as shown in the following table:

Youth Crime Prevention and Intervention Program Current Allocation of Personnel Services Costs	
Program	FTE Allocated to Program
Americorps Community Service Program	.35
Safe and Drug-Free Schools and Communities Program	2.66
Community Service Block Grant	1.91
Other (Governor's Office, Colorado State University, General Fund)	.58
TOTAL	5.50
Source: State Auditor's Office analysis.	

Operating costs for the YCPI Program are absorbed into the Community Partnership Office's general budget. Department staff estimate annual operating and travel costs for the YCPI Program to be approximately \$50,000.

Federal Guidelines Require Personnel Activity Reporting Systems To Reflect Actual Activity

The Office of Management and Budget's Circular A-87 states that, for the purpose of allocating costs to federal awards, "personnel activity reports...must reflect an

after-the-fact distribution of the actual activity of each employee.” The current method for tracking and reporting staff activity for the three federal grants administered by the Department does not reflect the actual activity of each employee. This is because the Community Partnership Office’s time sheets do not allow staff to charge activity to the YCPI Program, even though most of the staff perform work related to it. Thus, time that is spent on the YCPI Program is charged to one or more of the federal grants. We believe this practice is questionable because it results in an inaccurate distribution of personal services costs to these federal grants.

Department staff provided several explanations for the current cost allocation system. Staff reported that because the programs they fund through the YCPI Program are in the “same context” of the federal grant programs and because of the “open nature” of the federal programs, allocating YCPI costs to the grants is acceptable. Further, the Community Service Block Grant allows states to use up to 5 percent of their funding for “discretionary projects” and another 5 percent for administrative expenses.

We found it difficult to support the Department’s position that these programs operate in the same context. The three federal grant programs and the YCPI Program are similar in that they provide funding for communities to address various social problems. However, the programs do have somewhat different missions and grantees and, consequently, different monitoring and oversight requirements. Further, when we compared the grantee lists for the programs, we found that only 6.9 percent of the Fiscal Year 1997 YCPI grantees received funding from Americorps or Safe and Drug-Free Schools and Communities. We could not compare YCPI grantees with Community Service Block Grant recipients, because all Colorado counties receive these funds on a formula basis. Some YCPI grants are, however, allocated to county governments.

The Department Should Seek Other Funding Sources or Clarify its Authority to Use Federal Funds for Administrative Costs

Since continuing to use federal funds to administer this state program is questionable, the Department should pursue other sources of funds to pay the costs of administering the YCPI Program. One option is seeking authority to use a portion of the YCPI appropriation for administration. In the absence of state funding, the Department should determine whether it can secure appropriate federal funding to run this program or it should clarify its authority to use existing federal funding sources for this purpose.

Recommendation No. 11:

The Department of Local Affairs' Community Partnership Office should pursue appropriate funding sources for the administrative costs associated with the YCPI Program. This should include obtaining authority to use a portion of the YCPI appropriation or other sources of state funding sources for administrative costs and/or determining whether ongoing federal funding can be used for this purpose.

Department of Local Affairs Response:

Agree. Although the Department is confident that its funding partners have been advised of and are aware of its use of their funds to assist with the implementation of the YCPI Program, the Department will work with the appropriate funding agencies to address the concerns of the State Auditor's Office. The Department will seek written confirmation from the various agencies that they are aware of and accept the use of their funds for the purpose of supporting the YCPI Program through administrative, quality assurance, and technical assistance activities. Should any of the funding sources express concern over such use, the Department will adjust funding accordingly and will advise the appropriate legislative and executive budget agencies.

December 1997 Update:

Subsequent to the audit the Department reported the use of Community Services Block Grant funds for administrative costs associated with the YCPI Program to the Joint Budget Committee in a public hearing. A summary of these proceedings will be forwarded to the appropriate authorities at the U.S. Department of Health and Human Services for their review and approval. The use of staff paid through the Americorps Community Service Program to provide YCPI-related services has been discontinued. The Department is in the process of informing the appropriate federal agencies regarding the use of Safe and Drug Free Schools and Communities funds for costs associated with the YCPI Program.
